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GENERAL

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1. Report on progress of US policy toward Yugoslavia--In
commenting on US policy towards Yugoslavia, US Embassy
Belgrade expresses the view that marked progress has
clearly been made toward the establishment of a Yugoslav-
Western working relationship based on mutual advantage
and mutual respect for rights and independence. However,
the Embassy indicates, in discussing the serious concern
of the Yugoslavs over the continuance of US financial help,
that if patience is not exercised in establishing a satis-
factory economic relationship with Yugoslavia, there is
danger that US-Yugoslav relations will become "so soured"
that the US might lose some of the "extraordinary political
benefits" already won through the gradual reorientation of
Yugoslavia toward the West.

Concerning Yugoslavia's relations with its neighbors,
the Embassy reports a genuine Yugoslav desire to improve
relations with both Greece and Italy and points to hopeful
signs that Yugoslavia and Greece can make mutually profit-
able progress in normalizing their relationship; the Embassy
feels, however, that the Italians may be inclined to hold back
from a broad effort to improve relations with Yugoslavia.

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2. Australians set back at Commonwealth Conference--US
Ambassador Jarman in Canberra estimates that the recent
Commonwealth meeting on Southeast Asia will have a salutary
psychological effect on Southeast Asia and will complement
the effect of US policy for the area. Commenting that the
conference was a failure from the Australian point of view,
he reports that the Australian objective was to force agree-
ment on a three-fold plan embracing Commonwealth technical
aid, the provision of emergency relief supplies and the setting
up of a longer range credit scheme, a program which was

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successfully opposed by the UK and Canada on the grounds that it was economically unrealistic. Jarman observes that Australian conduct at the conference strengthens the view of the Embassy that the Government is determined to establish a foreign policy which will be independent of the UK and the entire Commonwealth wherever general agreement cannot be obtained.

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